

GAO Highlights

Highlights of [GAO-19-14](#), a report to congressional committees

Why GAO Did This Study

Government-wide estimated improper payments totaled almost \$1.4 trillion from fiscal year 2003 through fiscal year 2017. IPERA requires IGs to annually assess and report on whether executive branch agencies complied with the six criteria to (1) publish an agency financial report or performance accountability report, (2) conduct program-specific improper payment risk assessments, (3) publish improper payment estimates, (4) publish corrective action plans, (5) publish and meet annual improper payment reduction targets, and (6) report a gross improper payment rate of less than 10 percent.

This report examines the extent to which

1. CFO Act agencies complied with IPERA criteria for fiscal years 2016 and 2017, and the trends evident since 2011, as reported by their IGs;
2. CFO Act agencies addressed requirements for programs reported as noncompliant with IPERA criteria for 3 or more consecutive years, as of fiscal year 2016, and communicated their strategies to Congress for reducing improper payments and achieving compliance; and
3. OMB made determinations regarding whether additional funding would help CFO Act agency programs reported as noncompliant with IPERA criteria for 2 consecutive years, as of fiscal years 2016 and 2017, come into compliance.

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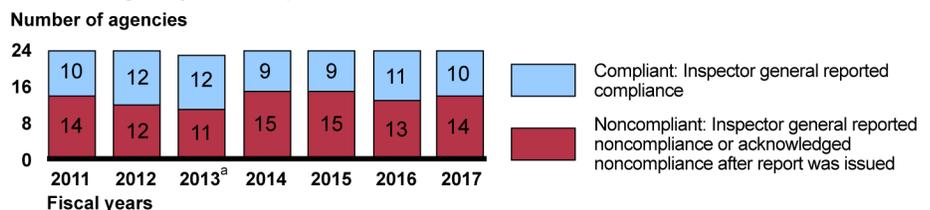
IMPROPER PAYMENTS

Additional Guidance Needed to Improve Oversight of Agencies with Noncompliant Programs

What GAO Found

Over half of the 24 Chief Financial Officers Act of 1990 (CFO Act) agencies were reported by their inspectors general (IG) as noncompliant with one or more criteria under the Improper Payments Elimination and Recovery Act of 2010 (IPERA) for fiscal years 2016 and 2017. Nine CFO Act agencies have been reported as noncompliant in one or more programs every year since the implementation of IPERA in fiscal year 2011, totaling 7 consecutive years of noncompliance.

Number of Chief Financial Officers Act Agencies Compliant under IPERA, as Reported or Acknowledged by Their Inspectors General



Source: GAO analysis of Inspector General Improper Payments Elimination and Recovery Act of 2010 (IPERA) compliance reports from fiscal years 2011 through 2017. | GAO-19-14

^aFor fiscal year 2013, one inspector general did not issue a compliance report because the agency did not publish improper payment information.

The IGs of the 14 noncompliant agencies reported that a total of 58 programs were responsible for the identified instances of noncompliance in fiscal year 2017. Further, 18 of the 58 programs at 9 agencies were reported as noncompliant for 3 or more consecutive years. Fourteen of these 18 programs accounted for an estimated \$74.4 billion of the \$141 billion total estimated improper payments for fiscal year 2017; the other 4 programs did not report improper payment estimates. This sum may include estimates that are of unknown reliability. The \$74.4 billion is primarily composed of estimates reported for two noncompliant programs, the Department of Health and Human Services' Medicaid program and the Department of the Treasury's (Treasury) Earned Income Tax Credit program; estimated improper payments for these two programs are also a central part of certain high-risk areas in GAO's 2017 High-Risk List.

Agencies with any program reported as noncompliant for 3 or more consecutive years are required to notify Congress of their program's consecutive noncompliance and submit a proposal for reauthorization or statutory change to bring that program into compliance. GAO found that three agencies with one or more programs reported as noncompliant for 3 or more consecutive years, as of fiscal year 2016, did not notify Congress or submit the required proposals. The Departments of Labor and the Treasury submitted proposed legislative changes in response to their programs being previously reported as noncompliant, but did not notify Congress of the programs' continued noncompliance as of fiscal year 2016. The U.S. Department of Agriculture (USDA) has not notified Congress despite prior GAO and USDA IG recommendations to do so. To address these issues, in June 2018 the Office of Management and Budget

GAO analyzed the IGs' fiscal years 2016 and 2017 IPERA compliance reports; reviewed prior GAO reports on agencies' IPERA compliance; reviewed agency information submitted to Congress; and made inquiries to OMB, applicable agencies, and IGs; and assessed such information based on relevant IPERA provisions and OMB and other guidance.

What GAO Recommends

GAO recommends that OMB update its guidance to specify other types of quality information that agencies with programs noncompliant for 3 or more consecutive years should include in their notifications to Congress, such as significant matters related to risks, issues, root causes, measurable milestones, designated senior officials, accountability mechanisms, and corrective actions or strategies planned or taken by agencies to achieve compliance.

GAO provided a draft of this report to OMB and requested comments, and OMB said that it had no comments. GAO also provided a draft of this report to the 24 CFO Act agencies and their IGs and requested comments. In its written comments, the Social Security Administration (SSA) stated that it provided information on measurable milestones, designated senior officials, and accountability mechanisms in its agency financial report. However, SSA did not provide this information in its notifications to Congress for programs reported as noncompliant under IPERA as of fiscal year 2016. GAO believes that OMB should take steps to update OMB's guidance to help ensure that agencies report such significant information and include it in their notifications to Congress. In addition, several agencies and IGs provided technical comments, which were incorporated in the report as appropriate.

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(OMB) updated its guidance to clarify the notification requirements for each consecutive year a program is reported as noncompliant.

GAO found that five agencies did notify Congress as required, and included additional quality information that is not specifically required, but could be useful in updating Congress on their compliance efforts. For example, all five agencies provided information on the root causes, risks, changes, or issues affecting their efforts and corrective actions or strategies to address them; three agencies provided other quality information on accountability mechanisms, designated senior officials, and measurable milestones.

Additional Information Included in Notifications to Congress by Five Agencies with Programs Reported by Their Inspectors General as Noncompliant under the Improper Payments Elimination and Recovery Act of 2010 for 3 or More Consecutive Years, as of Fiscal Year 2016

Agency	Additional information included					
	Root causes	Risks/ issues/ changes	Corrective actions/ strategies	Measurable milestones	Designated senior officials	Accountability mechanisms
Dept. of Defense	Yes	Yes	Yes	Yes	Yes	Yes
Dept. of Education	Yes	Yes	Yes	Yes	Yes	Yes
Dept. of Health Human Services	Yes	Yes	Yes	No	No	No
Dept. of Homeland Security	Yes	Yes	Yes	Yes	Yes	Yes
Social Security Administration	Yes	Yes	Yes	No	No	No
Total	5	5	5	3	3	3

Source: GAO analysis of Chief Financial Officers Act of 1990 agencies' notifications to Congress for programs with 3 or more consecutive years of noncompliance with the Improper Payments Elimination and Recovery Act of 2010 as of fiscal year 2016. | GAO-19-14

In June 2018, OMB updated its guidance to clarify agency reporting requirements for programs reported as noncompliant for 3 or more consecutive years. However, the updated guidance does not direct agencies to include the types of quality information included in these five agencies' notifications for fiscal year 2016. GAO's *Standards for Internal Control in the Federal Government* emphasizes the importance of communicating quality information, such as significant matters affecting agencies' efforts to achieve compliance objectives. Such information could be useful in understanding the current challenges of these programs and is essential for assessing agency efforts to address high-risk and other issues. As a result, Congress could have more complete information to effectively oversee agency efforts to address program noncompliance for 3 or more consecutive years.

When programs are reported as noncompliant for 2 consecutive years, IPERA gives OMB authority to determine whether additional funding is needed to help resolve the noncompliance. In April 2018, OMB staff stated that they determined that no additional funding was needed for the 15 programs that were reported as noncompliant for 2 consecutive years, as of fiscal year 2016, and that they primarily rely on the IGs' recommendations in their annual IPERA compliance reports when making funding determinations. OMB staff subsequently stated that they no longer need to conduct a detailed review of the IGs' IPERA compliance reports to identify recommendations related to additional funding needs. Instead, OMB updated its guidance in June 2018 to direct agencies to submit proposals to OMB regarding additional funding needs to help address IPERA noncompliance and clarified that the funding determination process will unfold as part of the annual development of the President's Budget. As of September 2018, OMB was in the process of making funding determinations for 12 programs that were reported as noncompliant as of fiscal year 2017 and stated that any determinations made would be developed in the President's Budget for fiscal year 2020.